

Message Text

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66/42

ACTION EA-10

INFO OCT-01 ISO-00 AGR-05 CIAE-00 COME-00 EB-07 INR-07

LAB-04 NSAE-00 SP-02 STR-01 TRSE-00 CIEP-01 FRB-03

OMB-01 IGA-01 /043 W

----- 089004

R 140854Z FEB 75

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC 4233

INFO AMEMBASSY BANGKOK

AMEMBASSY MANILA

AMEMBASSY SEOUL

C O N F I D E N T I A L TAIPEI 0781

C O R R E C T E D C O P Y (PARA 2 LINE 10)

EO 11652 GDS

TAGS ETRD TW

SUBJECT : COTTON CONTRACT PROBLEM

REF A) STATE 032751

B) STATE 032752

STATE PASS USDA/FAS-HUME

1. AGATT DISCUSSED SUBSTANCE REFTELS WITH DIRECTOR OF BOARD OF FOREIGN TRADE, Y.T. WANG (WANG I-TING) FEBRUARY 13. WANG STATED EMPHATICALLY THAT GROC PROPOSALS TO RESOLVE COTTON CONTRACT PROBLEM WERE SENT TELEGRAPHICALLY TO ROC EMBASSY, WASHINGTON, ALTHOUGH HE WAS UNABLE TO CONFIRM EXACT DATE SINCE ROC EMBASSY AND GROC OFFICES CLOSED SINCE FEBRUARY 10 DUE TO CHINESE NEW YEAR HOLIDAY.

2. GROC PROPOSALS WERE IN CHINESE AND ECON COUNS T.W. HU (HU TSU-WANG) WILL BE RESPONSIBLE FOR TRANSLATION INTO ENGLISH FOR PRESENTATION TO USG. WANG MADE AVAILABLE TO AGATT ESSENTIAL POINTS, CONFIDENTIAL

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AN INFORMAL POST TRANSLATION OF WHICH FOLLOWS:

"REGARDING THE UNOPENED L/C'S BY OUR COTTON SPINNERS ON THE PURCHASE OF US RAW COTTON, PLEASE ARRANGE CCC CREDIT WITH THE USG UP TO US\$50 MILLION. FOR THE REMAINING US\$50 MILLION PLUS, WE SHALL FINANCE.

SUCH CCC CREDIT IS TO COVER A PERIOD OF 3 YEARS. OUR BANK WILL BE THE BORROWER. IT WILL, UPON RECEIPT OF THE LOAN, TRANSFER IT TO COTTON SPINNERS. THE LOAN SHALL BE PAID BACK BY OUR GOVERNMENT, INCLUDING THE PRINCIPAL AND INTEREST.

SIMULTANEOUSLY, OUR GOVERNMENT SHALL TAKE THE NECESSARY MEASURES TO EXPEDITE PROMPTLY THE OPENING OF L/C'S BY COTTON SPINNERS IN ACCORDANCE WITH THEIR CONTRACTS.

WE UNDERSTAND THAT THE INTEREST RATE ON CCC CREDIT IS 9.5 PERCENT. WE REQUEST THAT YOU TRY TO NEGOTIATE A LOWER INTEREST RATE 0.5 PERCENT BELOW THE US PRIME RATE. MOREOVER, IN THE FUTURE, WHEN THE US IS SETTling ACCOUNTS WITH OTHER COUNTRIES WHICH HAVE CCC CREDIT AND THEIR INTEREST RATES ARE LOWER THAN THIS LEVEL, WE SHOULD BE ABLE TO HAVE THE LOWER RATE ALSO."

3. WANG OPINED THAT THE GROC PROPOSALS SHOULD PROVIDE THE ASSURANCES REQUESTED IN PARAS 1A AND 1C OF REFTEL (A). AS FOR THE ASSURANCE REQUESTED IN PARA 1B OF REFTEL (A), WANG COMMENTED THAT THE GROC HAD STATED REPEATEDLY THAT IT WOULD BE PREPARED TO USE ITS OWN RESOURCES TO FINANCE HALF OF THE OUTSTANDING COTTON CONTRACTS, WITH CCC CREDIT BEING USED FOR THE OTHER HALF. IF IT TOOK MORE THAN US\$50 MILLION TO RESOLVE THE COTTON CONTRACT PROBLEM, THE GROC MIGHT, THEREFORE, FIND IT NECESSARY TO REQUEST SOME ADDITIONAL CCC CREDIT ABOVE THE US\$25 MILLION APPROVED BY THE NAC. FINALLY, WANG STATED THAT THE CONFIDENTIAL

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GROC COULD NOT GIVE THE ASSURANCE REQUESTED IN PARA 1D OF REFTEL (A). CCC CREDIT AND MATCHING GROC FUNDS WILL BE MADE AVAILABLE TO MILLS WITH OUTSTANDING CONTRACTS ON A FIRST-COME, FIRST-SERVED BASIS AND THERE IS NO WAY OF KNOWING IN ADVANCE WHICH MILLS WILL APPLY.

4. IN LIGHT OF ABOVE, WE RECOMMEND THAT MINISTER

Y.S. SUN (SUN YUN-HSUAN) NOT BE REQUESTED TO PROVIDE
ASSURANCES IN A LETTER UNTIL GROC PROPOSALS
HAVE BEEN RECEIVED FROM ROC EMBASSY WASHINGTON
AND HAVE BEEN EXAMINED FULLY.
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Message Attributes

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Decaption Note:
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Disposition Approved on Date:
Disposition Authority: WorrelSW
Disposition Case Number: n/a
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Disposition Date: 28 MAY 2004
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